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Back to Basics: Inside the SEC's New Enforcement Priorities

SPEAKERS

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In this episode of *Regulatory Oversight*, co-host Stephen Piepgrass sits down with Jay Dubow and Ghillaine Reid, co-leaders of the firm's Securities Investigation + Enforcement practice, to explore how the SEC's enforcement agenda is evolving under Chairman Paul Atkins and what that means for public companies, financial institutions, and their executives.

The discussion begins with the SEC's rescission of its long-standing "gag rule," which had barred settling parties from publicly denying enforcement allegations. The guests explain why the change is significant, how it intersects with First Amendment challenges in the *Powell* case, and the potential risks for companies or executives who now choose to speak out about future or past settlements.

The episode then turns to broader enforcement trends: a sharp drop in total cases and public-company actions following the transition from Gary Gensler to Atkins, a "back to basics" focus on insider trading, accounting fraud, and disclosure, and resource constraints from staff reductions. The group also highlights hot-button areas such as crypto registration, "AI washing," and proposed disclosure reforms, emphasizing that despite a perceived enforcement downturn, companies should not relax their compliance efforts.

Transcript

***Regulatory Oversight* — Back to Basics: Inside the SEC's New Enforcement Priorities**

Speakers: Stephen Piepgrass

Guests: Jay Dubow and Ghillaine Reid

Aired: June 12, 2026

Stephen Piepgrass (00:04):

Welcome to another episode of *Regulatory Oversight*, a podcast dedicated to delivering expert analysis on the latest developments shaping the regulatory landscape. I'm Stephen Piepgrass, one of the hosts of the *Regulatory Oversight* podcast, and I lead our firm's Regulatory Investigations, Strategy, and Enforcement, or RISE, practice group. Our podcast highlights insights from members of our practice group, including our nationally ranked State Attorneys General team, as well as guest commentary from industry leaders, regulatory specialists, and current and former government officials. We're committed to bringing you valuable perspectives, in-depth analysis, and

practical advice from some of the foremost authorities in the field today. Before we begin, I encourage all our listeners to visit and subscribe to our blog at [RegulatoryOversight.com](https://www.regulatoryoversight.com) to stay current on the latest in regulatory news. Today, I'm joined by the co-leaders of our firm's Securities Investigations and Enforcement practice, Ghillaine Reid and Jay Dubow, to discuss how the SEC's enforcement agenda has shifted in the wake of the transition from former SEC Chairman Gary Gensler to current Chairman Paul Atkins, including the move from aggressive regulation by enforcement to a more principles-based, business-friendly approach. We'll also take a look at the SEC's recently released enforcement results and what they reveal about the commission's current priorities and trends.

Stephen Piepgrass (01:29):

Ghillaine, a partner in our RISE practice group, brings deep experience from both government service and private practice. She's successfully defended high-profile SEC enforcement matters and previously served as a branch chief and staff attorney in the SEC's New York regional office. Jay is a partner in our White Collar Litigation and Investigations practice group, and his practice focuses on complex business litigation with a special emphasis on defending shareholder derivative and securities class action litigation. He regularly represents corporations and individuals in investigations by the SEC, DOJ, FINRA, and other regulators. Jay began his career as a staff attorney and then branch chief in SEC's Division of Enforcement in Washington, D.C. Ghillaine and Jay, thank you for joining me today.

Jay Dubow (02:12):

Glad to be here.

Ghillaine Reid (02:13):

Thank you, Stephen.

Stephen Piepgrass (02:14):

Well, before we dig in on enforcement priorities, there was a very recent development with the SEC's rules that I think, Ghillaine and Jay, you all could fill in our listeners on that and its ramifications.

Ghillaine Reid (02:27):

Absolutely. Thanks, Stephen. About 10 days ago, we had a huge policy shift in the SEC enforcement realm with the agency's rescission of what's commonly known as the gag rule. Since 1972, essentially for the past 50 years, the SEC's Rule 202.5(e) effectively has provided that the commission will not settle a civil or administrative enforcement action unless the defendant or the respondent in an administrative proceeding would agree not to publicly deny the allegations. That rule typically has been referred to as the gag rule, and it is the subject of a Supreme Court petition in the Powell case, which Jay will talk about in a moment. But the rescission of this rule is very significant because it effectively eliminates the no-deny requirement for future enforcement settlements. So effectively, what that means is that a defendant or a respondent who is seeking to resolve an SEC civil enforcement action or administrative proceeding is free, after having resolved that matter, to deny effectively the

allegations in the commission's complaint or proceeding against that defendant. For many years now, critics of the gag rule have talked about the fact that it infringes on First Amendment rights, and that's been the subject of the Powell case, which Jay will talk about in a moment.

Jay Dubow (04:00):

Yeah, there's a case that has been winding its way through the court system, coming up from the Ninth Circuit and on its way seeking certiorari with the Supreme Court challenging the gag rule on First Amendment grounds, saying that defendants and respondents have a First Amendment right to speak. And the Supreme Court had not decided whether or not to accept the cert petition. In light of the rescission of this rule, it is very unlikely that the Supreme Court will take this up, as this current case is now moot, certainly in the court's eyes. The plaintiffs in that case are still trying to get cert granted. They have not dropped their interest in pursuing that case. They claim that it could apply to other agencies. And of course, a future SEC could change the rule and reinstate the rule going forward if it chooses to, since it is just a rule. I think it's very unlikely that the Supreme Court, with its packed docket, is likely to take this up now in that case. But as I noted, a future SEC could very well change this back. I think part of that analysis may be what parties do in response now. Are parties gonna just turn around and completely deny all of the allegations in complaints and in administrative proceedings? Depending on what happens and how that looks, it is possible that a future SEC could say, "Why are we settling cases where parties can just turn around and deny them so readily?" What's interesting about this rule, the rescission applied retroactively to all prior settlements. Question would be whether parties who settled years ago are gonna seek now to make public statements making denials. I think in general, most parties would not want to remind the world about their prior SEC enforcement actions. In certain circumstances, most likely if there were questions raised by reporters or analysts or other third parties, it certainly is possible that parties to, in some cases, very old settlements could choose to deny them at this time.

Ghillaine Reid (06:29):

And not just deny them, but also criticize in tandem the SEC's handling of those cases and the methods by which the SEC investigated the cases and brought those cases. Interestingly, Rule 202.5(e) is a rule that the SEC has, to date, not ever sought to enforce against a defendant or a respondent. So it's interesting that it has determined to rescind a rule that it's never enforced in the past. But it'll be interesting to see, to Jay's point, how certain parties that the SEC has charged as far back as 10, 20, 30 years ago might respond to this rescission and whether they'll reopen their can of worms, if you will, and start talking about those cases again.

Jay Dubow (07:16):

Yeah, another interesting aspect to look for is if parties deny conduct and deny allegations that are in SEC enforcement actions, and if they are public companies or officers, directors of public companies, they could potentially open themselves up to some kind of secondary liability either through an SEC action or a private securities litigation action if those statements are deemed material and they're false and misleading.

Ghillaine Reid (07:51):

Mm-hmm. Absolutely. That's a risk.

Stephen Piepgrass (07:53):

Fascinating development. We'll see what happens next. With that, why don't we turn and talk a little more about the SEC? So maybe we should start with what we previewed in the intro there, this transition in leadership and what it's meant at the SEC.

Ghillaine Reid (08:08):

Absolutely. As we all know, there's been so much change at the SEC the first quarter of 2026 with the resignation of Judge Ryan, the former enforcement director. And now we have David Woodcock, the new enforcement director, which Jay is gonna talk about. But I think, Stephen, it does make sense for us to kind of take a look at the prior year, at 2025, and let's see what we have in terms of enforcement results for that fiscal year, talking a little bit about the data. So looking back to before the administrative transition with respect to fiscal year 2025, that was really a record period in the SEC's history. And there were a total of 200 enforcement actions initiated, including 118 standalone actions. That was actually the highest number of enforcement actions since at least the year 2000 for enforcement reporting by the SEC. And this quarter really marked a sincere effort by prior Chair Gensler really to front-load a lot of enforcement efforts before the transition to our current chair, former SEC Commissioner Atkins. And after the transition from Chair Gensler to Chair Atkins, as we all predicted, there was a pretty precipitous drop in enforcement activity. And in fact, during all of fiscal year 2025, there were actually only a total of four actions that the SEC brought against public companies, which is really a record low.

Ghillaine Reid (09:55):

And so if you want to step back to look at the broader picture, the total new enforcement actions in fiscal year 2025, 313, which was the lowest amount of enforcement actions in a decade, and that number is down 27% from the prior year, fiscal year 2024. There's an important context, though, for us to add for our in-house counsel clients, and that is that the pipeline of mature investigations was largely depleted by that surge in 2024. And so there was a drop-off in enforcement actions that really was to some degree structural as opposed to ideological, although the sort of the shift in the political landscape was a factor. So as we look ahead, the expectation is that enforcement will pick back up in 2026, and we've seen some signaling of that by the new enforcement director as well as Chair Atkins. And we're expecting, and Jay will talk about this a bit more, but more of a bread and butter focus on baseline types of SEC actions that we have seen from the SEC certainly since Jay and I have been there. And you're talking... We read in the news a lot recently about insider trading, accounting fraud, material misrepresentations to the investing public in periodic filings with the SEC or otherwise. These are the types of cases that across administrations for the past 30, 40 years that we've been practicing, you've always seen these cases. Right? There's always, regardless of who the president is, regardless of who the chair is, you're always gonna have an enforcement focus around what are companies telling the investing public about material aspects of their business, their financials? What are we seeing by way of breaches of fiduciary duty with respect to trading on material nonpublic information? What are we seeing in the audit realm? What are we seeing gatekeepers like accountants doing? Those really are things that are the bread and butter.

Stephen Piepgrass (12:07):

Almost a back to the basics approach from the SEC.

Ghillaine Reid (12:12):

Absolutely, absolutely. And I know I handled insider trading cases when I was on the staff, I know Jay did as well, accounting fraud cases. These are things that the more things change, the more things stay the same, if you will.

Stephen Piegrass (12:24):

Jay, maybe this is a good time to pull you into the conversation to talk a little bit more about this back to basics approach, priorities, and then what are some of the hot-button issues, 'cause I know there are still some of those as well that this SEC seems to be focused on.

Jay Dubow (12:39):

Sure. And again, as Ghillaine mentioned, insider trading is one for sure. And we just saw a recent very large case that was brought involving lawyers from large prominent law firms that had been using and abusing information on primarily mergers and tipping that information to far-flung networks all over the world and trading through that information and using code words and other methods to keep track of what was happening. But this is just the latest in those kind of trading by lawyers from large firms. It was going on when I was back at the staff. So this is something that's not new. But the breadth of this particular recent action was certainly much larger than a number of the other ones historically, and especially because it hit so many very prominent law firms in terms of the information and lawyers who had worked at a number of these firms. Absolutely. And there's different, I'll say, motivations. Money certainly is one, but there's various motivations over the years of people who didn't get to a certain level at their firm and decided that this was a better way to take advantage of where they were and other things. But obviously at the end of the day, money's a big motivating factor and people think that they can take advantage, get away with something. They always think that they're smarter than the government. And I'm sure there are people who do get away with it, but that's why the government and the SEC likes to get a lot of publicity out of these types of cases when they do bring them, because it does bring a bit of fear to others that they could get caught, not only in a civil SEC enforcement action, but related criminal prosecutions by the Department of Justice.

Ghillaine Reid (14:38):

And the interesting thing, I think, about the spate of recent insider trading that we've seen by big firm lawyers in the news is really that so many of us, because of the change in administration, are seeing a downturn in enforcement actions that people think, "Oh, there's not a focus on this, we can trade, it's not a big deal. Atkins has gutted the enforcement staff. There's not enough staff to civilly prosecute these cases." And seeing this activity now really does help you realize that anybody who get engages in this type of conduct is running a risk, even in an enforcement landscape that is lighter than it once was under Gensler, for sure.

Jay Dubow (15:22):

Yeah. And this information, as we know, the whistleblower program has been very active and there are whistleblowers and people hoping to cash in on providing tips to the SEC. But something like this insider trading case could also be identified through big data analysis that the SEC does where they can analyze unusual trading

patterns. And when you start seeing multiple unusual trades before M&A deals and they involve certain law firms or certain investment banking firms or others, then it's easier to start focusing on those entities and see if there's individuals at those places that may be the source of information and leaking. If I could just also, before we move on, go back to highlight and add to something Ghillaine said on the structural aspect of the lower amount of cases. We certainly also had, in addition to the front end of additional cases before Gensler left office, we had at the beginning of the new administration, even before Chairman Atkins took over, we had the DOGE layoffs, we had restructuring, eliminating regional directors. We had other layoffs that were either forced or encouraged. So there's a large reduction in the number of staff, certainly not only in enforcement, but in the examinations, which often leads to additional enforcement cases. That activity is a further result in the lowered amount of enforcement cases.

Stephen Piepgrass (17:09):

I mentioned hot button issues earlier. There are two that I know are also a focus. One is crypto and the other is AI, things that are in the headlines all the time right now, along with insider trading. I've followed a lot of that, especially in the CFTC context, and very interesting that the CFTC and SEC seem to be working together on some of that, despite the lack of enforcement resources at both agencies, or both commissions. Why don't we delve in a little bit on the crypto front and the AI front and tell me what you're seeing there.

Jay Dubow (17:40):

With regard to crypto, when the new administration came in, there were a number of cases that had been filed, they were being litigated with respect to registration issues. And the cases were that crypto tokens that had been issued should have been registered pursuant to the Securities Act of 1933 and that they weren't, and therefore that those were in violation. And they didn't settle... There were some settled cases, but most of these cases were being litigated, some certainly significant ones. The new administration came in, took a look, and made a determination that these cases didn't fit within the four corners of the regulations, that essentially the prior administration was taking a law that was enacted in 1933 and trying to apply it to an asset class that was very recently created, which just doesn't fit within the four corners of that old regime. Their view was that these cases, because they didn't fit squarely within what the anti-fraud and registration rules were, that this was a regulation by enforcement rather than by legislation. So what they did was say, "We're gonna dismiss these cases that were pending, stop the ongoing investigations in this area, again, of registration, and we're gonna look and create a task force and we're gonna come up with our own regulations," as well as I know Congress is looking at this as well. I think there's a bill pending before it now. Once we get a new regime, new regulatory regime in order to regulate the registration of these assets, then we'll look to potential enforcement. But we're not gonna use this old square hole with a round peg to try to go after these various crypto companies. Of course, there are people out there using the idea of crypto in a fraudulent way, raising money when it doesn't exist or not trading. Those cases have been and will continue to be pursued. It's really the registration cases that have been all dismissed.

Stephen Piepgrass (20:10):

Ghillaine, I wanted to also make sure we touched on the AI-related issues. What's going on with AI these days at SEC? What seems to be their focus?

Ghillaine Reid (20:19):

In the SEC enforcement realm, probably like every other industry in the country, AI is certainly a central focus. And what we're seeing in the past couple of months under the new administration, there is a focus on what's known as AI washing cases, and we've handled those at Troutman. And essentially what the commission has done is established the Cyber and Emerging Technologies Unit, which is actively looking at companies that engage in AI washing. Okay, so what does that mean? Essentially, the SEC is acutely targeting companies that overstate their AI capabilities and the potential for the misuse of AI in connection with material non-public information in AI-related models, right? So distilled to its essence, what that means is that in periodic reports with the commission and other marketing materials, on any statements or information disseminated to the investing public, companies have to be mindful that they accurately cast and describe how they're using AI and what their AI capabilities actually are, right? So this is just another area, Stephen, where the commission is focusing on material misrepresentations. And we're seeing that in one very, very recent key example is in the Nate Inc. case. And that was just a couple of weeks ago in April of 2026. The SEC filed an enforcement action against the CEO of Nate, which was a tech startup that launched a mobile shopping app. And the CEO allegedly raised \$42 million through the sale of company stock essentially by making false, misleading statements about the company's use of artificial intelligence.

Ghillaine Reid (22:16):

The action alleges that despite the company representing that it used AI for mobile shopping only, it really used it to contract employees to manually input orders for their products. And essentially, we're talking here again about a material misrepresentations case. We've seen them in so many different spheres. What the signal that the commission staff is sending here as an enforcement matter is whatever representations you're gonna make about how you use AI, those also have to be accurate. And just a practical tip for some of our in-house clients, major company clients, I think it's critical for clients to really very carefully scrutinize any public-facing statements that they make about their AI use and run that both through your tech teams, through your analyst teams, as well as through your legal department before they're included in investor materials, earnings calls, periodic filings with the commission, because the staff is carefully looking at what those representations are and ensuring that they line up with the company's commercial landscape, with how they're using AI, and with what they're using AI for.

Jay Dubow (23:33):

If I could also add related to that, another area of disclosures which companies should think about is what are the risks to their business from AI and have you properly disclosed that risk? So is your company one that AI could have effect on the company because of other companies' use of AI, and have you properly disclosed that risk? If you wake up one day and you find you've lost some major part of your business and it's because of AI and you hadn't previously disclosed that, then there's certainly a risk that that could put you in the hot seat from the SEC for failing to address that risk.

Ghillaine Reid (24:22):

That would constitute, in the mind of the staff, a material omission with respect to a key aspect of the company's business. And this is especially true, what Jay mentioned, for companies that rely on AI use cases very, very

heavily. Those companies in particular really should devote a lot of time and resources both to the accuracy of representations on the use case as well as to Jay's point on any risks that they may present to the company in the marketplace.

Stephen Piepgrass (24:53):

Yeah, and this is an area where I think our practices actually overlap a good deal, where we are seeing similar theories brought by state AGs under UDAP.

Ghillaine Reid (24:58):

That's right.

Stephen Piepgrass (25:04):

Again, around what are the representations being made about the use of AI and are those actually true? Interesting, the parallels between the state and federal regulatory authorities there often working hand in hand. You mentioned, Jay, disclosures... I know this disclosure reform has been an area that Chairman Atkins has been very focused on. You wanna talk a little bit about his priorities around that, and then maybe we can go into some takeaways, which is how we always like to wrap up these podcasts so that we make them as practical as possible for our listeners.

Jay Dubow (25:35):

One of the disclosure reforms that has been getting the most press recently is the proposal to allow companies to opt to semi-annual reporting instead of quarterly reporting. And it's gotten a lot of press. They're seeking comment now on those on the proposals. I think there's a lot of uncertainty and concern certainly about this, especially appears to be that it would be elective. So you could have some companies still reporting quarterly and some reporting semiannually. And for those who follow those companies, let's say if they're in the same industry, it may become much harder to compare earnings and other information about those peers if some are doing on a different sequence of reporting. This was designed to save money to companies looking longer term than shorter term. I don't know if six months versus three months is really, I'll say, longer term for purposes of real deep thinking and in terms of planning. It could save some money in terms of not having to every quarter put together a filing and have earnings calls and all the things that go along with that. But it's unclear if companies are still gonna voluntarily report some kind of quarterly earnings even if they go to a semiannual reporting. It's a lot of uncertainty certainly right now with that proposal.

Stephen Piepgrass (27:12):

As I previewed as I was asking that question, one of the things we love to conclude with are takeaways for our clients to try to make these recordings as practical as possible. Given the conversation today, what do you think the key takeaways are that you'd offer? I'll let Ghillaine start and then Jay wrap up.

Ghillaine Reid (27:28):

Absolutely. Thanks, Stephen. There's been so much change. There's the new administration, the new head of enforcement who then resigned, and now we have yet another new head of enforcement, and shifts in priorities, we've talked about cyber, we've talked about AI, we've talked about the bread and butter cases that the SEC is always focused on. But I think it's really important for clients to appreciate that although we are in a "enforcement downturn," if you will, with a more conservative administration, it is imperative, I think, that companies not take their foot off the gas. Right? There are still very, very, very key enforcement initiatives that the SEC is focused on. Disclosure is a key one. Financial reporting is a key one. Audit and accounting are a key one. One thing we didn't get to talk about in any depth is that in March of this year, the SEC announced that it's setting up a new enforcement team called the SOX Group, which is going to focus on investigating potential SOX violations, which is a new development that's focused on auditing standards. So there's a lot to focus on even though sort of the overarching measure of enforcement activity has dipped. It doesn't mean... And I think Chair Atkins and our new enforcement head, David Woodcock, would agree, the SEC hasn't disappeared. It's not gone away. Right? Certainly there have been reductions in staff, but I think that the mission of the agency is still very much in place, just in different ways and to different degrees.

Jay Dubow (29:11):

I'd also note that many of the proposals and rules that are being discussed are just that. They're rules. And if they're not legislation by Congress, a new SEC that would come in in potentially two, three years could change all of that back. So in other words, if there was a rule to go to semiannual reporting, that could be switched in a short period of time if a new administration feels differently. Similarly, I agree 100% with what Ghillaine said about not taking your foot off the gas in terms of compliance, because you want to always be compliant. If you think you're gonna get away with something, not only is that a bad view to take now because you don't know which matters the SEC, the current SEC may take, but the statutes of limitations for all these activities that are going on now would extend well into a new administration in the future. And one doesn't know if there will be changes that conduct today that may even not be of interest to the current SEC could be of interest to a new SEC in a few years. So it's important to stay vigilant, to keep your diligence, your compliance. There's also, if the SEC isn't interested in a particular area, a state securities regulator may be, as well as there's private class action litigation and derivative litigation that's brought. There's no reason that one should think because the SEC hasn't been bringing as many cases, that we're gonna take our feet off the gas and just think we can get away with not being diligent and compliant.

Stephen Piepgrass (31:03):

Well, great advice and I think a great way to wrap things up. Ghillaine and Jay, I really appreciate you joining me today. It's been a pleasure hearing from you and getting this update on SEC enforcement activities, and I know our listeners have enjoyed it as well. And thank you to our listeners for tuning in. Please do remember to visit and subscribe to our blog at [RegulatoryOversight.com](https://www.RegulatoryOversight.com) and subscribe to this podcast using Apple Podcasts, Google Play, Spotify, Stitcher, whatever platform you choose. And we look forward to having you join us again next time.

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